NORTHERN MUNICIPAL TRUST ACCOUNT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

Provincial Auditor Saskatchewan

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SASKATCHEWAN

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Northern Municipal Trust Account, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and accumulated surplus, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Municipal Trust Account as at December 31, 2011, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
April 5, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Financial Position
As at December 31
(thousands of dollars)

	2011	2010
Financial Assets		
Cash	10,780	20,683
Temporary investments	10,561	12,648
Accounts receivable (*note 4*)	8,361	1,509
Inventory for resale	585	378
Total Financial Assets	30,287	35,218
Liabilities		
Grants payable	6,345	4,960
Unearned revenue (*note 5*)	1,584	1,546
Advance payments (*note 6*)	569	1,108
Accounts payable	220	147
Accrued landfill decommissioning (*note 7*)	250	245
Revenues collected for others (*note 8*)	172	185
Total Liabilities	9,140	8,191
Net Financial Assets (*schedule 1*)	21,147	27,027
Non-financial Assets		
Tangible capital assets (*note 9*)	5,160	5,540
Prepaid expenses	45	45
Total Non-financial Assets	5,205	5,585
Accumulated Surplus (*schedule 1*)	26,352	32,612

Contractual obligations (*note 13*)

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2011		2010
	Budget *(note 10)*	Actual	Actual
Revenue *(schedule 1)*			
Transfers			
Northern revenue sharing	15,200	15,176	11,718
Water and sewer	4,007	4,012	2,117
Other transfers	85	195	259
Lease fees	4,053	4,235	4,331
Taxation	2,740	2,694	2,641
Utility and fuel sales	740	756	747
Interest and investment income	561	566	783
Land sales	161	538	637
Other	132	316	164
Total Revenue	27,679	28,488	23,397
Expense *(schedule 1 and note 14)*			
Transfers			
Northern revenue sharing	13,753	13,639	11,104
Water and sewer	14,565	15,919	6,282
Northern capital	1,338	1,108	1,394
New North	320	320	320
Other infrastructure grants	--	--	150
Northern residential subdivision	2,039	543	830
Municipal services *(note 11)*	3,180	2,620	3,723
Fuel operating costs	600	600	597
Bad debt expense	50	39	45
Landfill decommissioning *(note 7)*	2	6	5
Total Expense	35,847	34,794	24,450
Deficit	(8,168)	(6,306)	(1,053)
Accumulated surplus, beginning of year	32,612	32,612	33,699
Prior period errors: accumulated amortization		19	---
Recovery (write down) of accounts receivable		27	(34)
Restated accumulated surplus, beginning of year		32,658	33,665
Accumulated Surplus, End of Year *(schedule 1)*	24,444	26,352	32,612

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Change in Net Financial Assets
For the year ended December 31
(thousands of dollars)

	2011	2010
Deficit	(6,306)	(1,053)
Tangible Capital Assets		
Acquisition of tangible capital assets (*note 9*)	(213)	(292)
Amortization of tangible capital assets (*note 9*)	496	507
Write-down of tangible capital assets (*note 9*)	97	--
Net Reduction of Tangible Capital Assets	380	215
Financial Assets		
Prior period errors: accumulated amortization	19	---
Recovery (write down) of accounts receivable	27	(34)
Net Increase (Reduction) of Financial Assets	46	(34)
Other Non-financial Assets		
Increase in prepaid expenses	---	(45)
Net Increase in Non-financial assets	---	(45)
Decrease in net financial assets	(5,880)	(917)
Net financial assets, beginning of year	27,027	27,944
Net Financial Assets, End of Year	21,147	27,027

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Cash Flow
For the year ended December 31
(thousands of dollars)

	2011	2010
Operating Activities		
Cash Receipts		
Transfers - General Revenue Fund	16,238	14,995
Leases and land sales	1,661	5,483
Taxes	2,705	2,629
Interest and investments	606	873
Utility and fuel sales	749	723
Advance payment	805	2,870
Other sources	(69)	(28)
Total Cash Receipts	22,695	27,545
Cash Payments		
Transfers	(29,778)	(18,354)
Advance payment used	(1,344)	(1,889)
Northern subdivision development	(507)	(871)
Fuel operating costs	(808)	(340)
Municipal services	(2,051)	(3,153)
Total Cash Payments	(34,488)	(24,607)
Cash (Used for) Provided by Operating Activities	(11,793)	2,938
Capital Activities		
Cash used to acquire tangible capital assets	(213)	(292)
Proceeds from disposal of tangible capital assets and tax title properties	8	10
Cash Used for Capital Activities	(205)	(282)
Investing Activities		
Proceeds from disposal of temporary investments	20,540	115,400
Purchase of temporary investments	(18,445)	(99,600)
Cash Used for Investing Activities	2,095	15,800
Increase (decrease) in Cash	(9,903)	18,456
Cash, beginning of year	20,683	2,227
Cash, End of Year	10,780	20,683

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Notes to the Financial Statements
As at December 31, 2011

1. Authority and Organization Description

Northern Municipal Trust Account (NMTA), was established by Section 426 of *The Northern Municipalities Act, 2010* (Act). NMTA is administered by the Northern Municipal Services Branch of the Ministry of Municipal Affairs (MA). NMTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Municipalities Regulations*. The NMTA also acts as a municipal operating fund for the unincorporated area in the district, the northern settlements and resort subdivisions.

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and MA, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NMTA.

Pursuant to the Act, NMTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NMTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

a) Inventory for resale

Fuel held for resale, by the northern settlement of Uranium City, is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Temporary investments are term deposits recorded at cost, which approximates their market value.

ii) Portfolio

Portfolio investments are investments that are not subject to significant influence. They are recorded at cost, and revenue from these investments is recorded as income when receivable.

Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston Lake, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP, at a cost of $100 each. First Nations in the far north hold the remaining interest.

c) Landfill decommissioning and post decommissioning care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the current land allocation to landfill and usage.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NMTA's tangible capital asset policy requires items with a cost of $500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NMTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

e) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and eligibility criteria are met.

f) Transfer payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

g) Northern Residential Subdivision Program – land development costs

NMTA incurs land development costs for the Northern Residential Subdivision Program. Under the program, NMTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. NMTA expenses these costs in the year the costs are incurred provided it has no firm commitment from prospective buyers.

However, when NMTA has a firm commitment from a prospective buyer it records the related costs as assets on the Statement of Financial Position. NMTA recognizes the sale of developed lots in the year the lots are sold or funds are recovered from the communities where the subdivision exists.

h) Change in Municipal Administration

The NMTA serves in a municipal function in the administration of the northern settlements and resort subdivisions.

Pursuant to sections 71 or 72 of the Act an application by petition may be submitted to the Minister to establish a northern municipality. For a northern settlement or resort subdivision under the administration of the NMTA, the related assets, liabilities, non-financial assets and accumulated surplus are transferred from the NMTA to the municipality as of the date it is established as a separate entity.

Pursuant to sections 73 of the Act, a northern settlement may be dissolved. On dissolution of the northern settlement, the related assets, liabilities, non-financial assets and accumulated surplus are transferred to the NMTA from the northern settlement as of the date it is no longer recognized as a municipality.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from those estimates.

3. Financial Instruments

NMTA's financial instruments include cash, temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 106 days (2010 – 199 days) and bear interest ranging from 1.01% to 1.60% per annum (2010 – 1.01% to 5.00%).

4. Accounts Receivable

(thousands of dollars)	2011	2010
Water and sewer infrastructure	3,543	399
Lease fees receivable	3,585	332
Accrued interest	62	102
Fuel sales receivable	172	166
Receivable from federal government (GST)	294	154
Taxes	14	25
Other	691	331
Total Accounts Receivable	8,361	1,509

NMTA's accounts receivable above are net of a provision of $466,000 for taxes, $1,147,750 for leases, and $3,000 for other receivables that are considered doubtful, for a total provision of $1,616,750 (2010– $1,691,000).

5. Unearned Revenue

Unearned revenue of $1,583,634 (2010 – $1,546,000) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NMTA relating to future periods.

6. Advance Payments

Advance payments represent the balance of the payments received to be allocated against future expenditures. The NMTA entered into various agreements to fund two programs:
The Northern Water and Sewer program. Many water and sewer municipal projects are jointly funded between the Provincial and Federal Government, NMTA, Aboriginal Affairs and Northern Development Canada, and the community itself whereby advance payments are received by the NMTA for future water and sewer project costs; and,
The Planning for Growth Northern Capacity Building program. Cost shared planning services will be provided to northern municipalities to facilitate the development of their official community plans (OCP's) and zoning bylaws. Program funding is received in advance from the Province and also from local municipalities to ensure their commitment to the program.

7. Accrued Landfill Decommissioning

The Environmental Management and Protection Act, 2002 (Saskatchewan) sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of the landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2011, NMTA has accrued an estimated amount of $250,000 (2010 - $245,000) for decommissioning and post decommissioning care for 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2011. Management estimates that the total cost to decommission landfill sites in NSAD will amount to $650,000 (2010 - $650,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 43 years. On average these landfills have 1.5 hectares available for use.

8. Revenues Collected for Others

(thousands of dollars)	2011	2010
School taxes due to school division	161	175
Municipal taxes collected due to hamlets	11	10
Total Revenues Collected for Others	172	185

9. Tangible Capital Assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities unless they are sold. Capital work in progress relates to water and sewer and other infrastructure building expenses that are not completed. These costs are capitalized under work in progress until they are fully operational.

(thousands of dollars)	2011						2010
	Buildings	Machinery & Equipment	Other	Water & Sewer	Capital Works in Progress	Total	Total
Opening cost	5,112	2,420	589	9,115	60	17,296	17,133
Additions	48	64	72	29	--	213	292
Disposals and write-downs	(76)	(67)	(1)	(5)	(60)	(209)	(129)
Closing cost	5,084	2,417	660	9,139	--	17,300	17,296
Opening accumulated Amortization	3,923	1,960	402	5,471	--	11,756	11,378
Annual amortization	80	83	36	297	--	496	507
Disposals and write-downs	(48)	(60)	(2)	(2)	--	(112)	(129)
Closing accumulated amortization	3,955	1,983	436	5,766	--	12,140	11,756
Net Book Value of Tangible Capital Assets	1,129	434	224	3,373	--	5,160	5,540

10. Budget

The NMTA 2011 budget was approved on December 31, 2010, by the Minister of Municipal Affairs.

11. Municipal Services

(thousands of dollars)	2011		2010
	Budget	Actual	Actual
General government	999	753	1,865
Utilities operating cost	939	847	819
Recreation and cultural	268	235	240
Environmental	292	262	194
Transportation services	609	476	559
Protective services	73	47	46
Total Municipal Services	3,180	2,620	3,723

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, Ministries, agencies, boards and commissions related to NMTA by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

(thousands of dollars)	2011	2010
Expense		
Water and sewer transfers	516	543
General government	526	1,218
Accounts Receivable		
Water and Sewer Infrastructure and other	3,543	569
Lease receivable	3,585	332

In addition, NMTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfer from related parties during the year:

(thousands of dollars)	2011	2010
Ministry of Municipal Affairs	18,758	12,498
Ministry of Advanced Education, Employment and Immigration	42	38
Saskatchewan Lotteries Trust Fund for Sport, Recreation and Culture	12	16
Grants in lieu from Saskatchewan ministries and agencies	52	47
	18,864	12,599

The Ministry of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Municipalities Regulations* and the Act, NMTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD.

13. Contractual Obligations

As at December 31, 2011, NMTA has entered into contracts to fund northern water and sewer, capital grant and northern subdivision projects through 2012. These obligations total $8.0 million (2010 – $6.4 million).

14. Expense by Object

(thousands of dollars)	2011		2010
	Budget	Actual	Actual
Transfers	29,977	30,986	19,250
Northern subdivision development	2,038	543	830
Wages and benefits	680	608	516
Administration	116	87	94
Maintenance, materials and supplies	1,040	848	877
Contractual services	883	776	1,087
Utilities	342	345	300
Amortization	474	496	507
Loss on disposal of tangible capital assets	--	46	2
Bad debt expense	50	39	45
Other expenses	247	20	942
Total Expense by Object	35,847	34,794	24,450

Schedule 1

NORTHERN MUNICIPAL TRUST ACCOUNT
Segmented and Restricted Assets

The NMTA functions as a consolidated fund, provides operating grants, capital grants, and other program funding to northern municipalities. It also serves in a municipal function in the administration of the northern settlements and resort subdivisions. Revenues collected during the year and the accumulated surplus of $10.6 million (2010– $10.1 million) of the northern settlements and resort subdivisions is restricted for their use only and is not available for use by the general account.

Statement of Financial Position
As at December 31
(thousands of dollars)

	2011				2010
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Financial Assets					
Cash & temporary investments	16,227	4,518	596	21,341	33,331
Other financial assets	8,152	783	11	8,946	1,887
Total Financial Assets	24,379	5,301	607	30,287	35,218
Liabilities					
Grants payable	6,345	--	--	6,345	4,960
Unearned revenue	1,584	--	--	1,584	1,546
Other liabilities	759	393	59	1,211	1,685
Total Liabilities	8,688	393	59	9,140	8,191
Net financial Assets	15,691	4,908	548	21,147	27,027
Non financial Assets	45	4,957	203	5,205	5,585
Accumulated Surplus	15,736	9,865	751	26,352	32,612

Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2011				2010
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Revenue					
Transfers	17,715	1,667	1	19,383	14,094
Lease fees	4,184	51	--	4,235	4,331
Taxation	2,443	50	201	2,694	2,641
Utility and fuel sales	--	756	--	756	747
Interest and investment	388	165	13	566	783
Land sales	538	--	--	538	637
Other	89	222	5	316	164
Total Revenue	25,357	2,911	220	28,488	23,397
Expense					
Transfers	30,986	--	--	30,986	19,250
Northern residential subdivision	543	--	--	543	830
Municipal services	579	1,799	242	2,620	3,723
Fuel operating costs	--	600	--	600	597
Bad debt expense	--	35	4	39	45
Landfill decommissioning	--	5	1	6	5
Total Expense	32,108	2,439	247	34,794	24,450
(Deficit) surplus	(6,751)	472	(27)	(6,306)	(1,053)
Accumulated surplus, beginning of year	22,441	9,393	778	32,612	33,699
Prior period errors: accumulated amortization	19	--	--	19	--
Recovery (write down) of accounts receivable	27	--	--	27	(34)
Restated accumulated surplus, beginning of year	22,487	9,393	778	32,658	33,665
Accumulated Surplus, End of Year	15,736	9,865	751	26,352	32,612